

MINUTES OF BOSTON RETIREMENT BOARD

**Administrative Session**

September 18, 2019

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Maureen A. Joyce, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member; Michael W. McLaughlin Elected Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Natasha Thomas, Assistant General Counsel; Ellen M. McCarthy, Comptroller; John F. Kelly, Investment Analyst; Christine M. Weir, Operations Officer; Lauren Page, Member Services Manager; Gregory Molina, Board Secretary.

ALSO IN ATTENDANCE: Michael Manning, Kiley Fischer of NEPC; Michael Dwyer, Consultant.

ABSENT: Michael D. O'Reilly, Elected Member

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Administrative Session Convene

The Board voted by the way of roll call (4-0) to convene into Administrative Session at approximately 10:06 a.m. All in attendance were identified for the record and introductions were made.

Previous Minutes

*Motion made, and seconded, to accept the Administrative Session Minutes of the prior meeting as presented.*

**Motion accepted (4-0)**

Outstanding/Ongoing Administrative Issues: Timothy J. Smyth, Executive Officer

Mr. Smyth opened by introducing Ms. Page as the newly hired Senior Member Services Manager. He congratulated her and stated that she has a tremendous amount of knowledge and talent and has worked her way up the ranks to achieve this position with the system.

*IT Update*

Mr. Smyth went on to update the Board on the issue of cyber security and securing insurance. After some research, Lloyd's of London has a very similar

policy as does Zurich. Mr. Smyth will be obtaining quotes in the upcoming days to present to the Board at its next meeting.

#### *Vitech Upgrade Review*

Mr. Dwyer referred the Board on a preliminary actions report. He stated that Mr. Oates has met with internal management of the Retirement Board, reviewed existing contracts and proposals components. Mr. Oates has concluded after a high level assessment of Vitech V3 Version 10 proposal for BRS is that the technical path is positive. Currency on Vitech software versions for migration to cloud services (V3locity). It is mature, fully functional system that has positive user impact. However, the pricing of the proposal is unacceptable. Mr. Oates suggests a revised pricing reduction and implementation costs and raised software licensing/support costs.

The next steps would be to assess and verify BRS/City of Boston (COB) current infrastructure and security components, transaction and storage metrics. Conduct a deeper review of Vitech contract language. Obtain a proposal update reflecting BRS requirements and hold a executive meeting with Vitech on the proposal.

Mr. Dwyer went on to report on PTG. A preliminary meeting with PTG management was productive. They tell a good story, have a solid team and excellent customer base. PTG has long term experience in hosted applications (Rackspace) and have a strong command of Massachusetts public pension laws and requirements. The firm is willing to work with BRS on required capabilities.

At this point, the PTG alternative still needs to be viewed with caution. The burden is on PTG to show they can address the complexity of BRS, beginning with Teacher calculation issues.

The Board discussed legal contract language regarding ownership of data and other COB data and how it can be securely dispersed. The issue will be brought to Mr. Oates for review.

#### Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Mr. Manning discussed the System's Work Plan, which included a review of recent Large Cap restructuring process along with upcoming action items and manager search. Ms. Fischer stated that BRS has recently restructured the Large Cap Equity portfolio. As a result, Intech was terminated and the proceeds of \$60M were transferred to Rhumblin. DE Shaw 130/30 has been terminated and proceeds will go to DE Shaw Enhanced. JP Morgan 130/30 has been terminated and proceeds will fund Aristotle and may be given to additional managers for rebalancing.

The Large Cap Value mandate was awarded to Aristotle and Columbia Threadneedle. The Rhumblin valuation as of 8/31/19 includes the \$60m

contribution from the Intech termination. The Total Large Cap allocation of 18% is an intentional overweight from the 17% target, used to offset the underweight to Private Equity.

Mr. Manning stated that going through the process they were able to drop the management fees down. Zevenbergen dropped 10 basis points. They are still high relative to their peers, but just going through the process saved the fund some money.

Ms. Fischer went on to state that in alignment with the work plan, we will shift our focus to the Real Estate and Private Equity/Debt programs. We recommend a Real Estate search that combines the targeted commitments for 2019 and 2020 across the style/risk spectrum. We suggest initiating a Private Debt search for the 2020 targeted commitment of \$60 million

For Public Markets, the Emerging Markets Equity portfolio will be reviewed next. The last Emerging Markets manager search was conducted in 2013. Per PERAC regulations, an Emerging Markets search will need to be issued in 2020.

#### *Real Estate Program*

Mr. Manning stated that as part of the real estate investment program, BRS needs to commit to new funds each year. Consistent with past practice, NEPC recommended a search that encompasses the targeted commitments for 2019 & 2020. BRS should target managers across the style/risk spectrum. Based on the prior pacing plan, we are recommending commitments of \$45M in 2019 and \$55M in 2020. NEPC recommends committing an additional \$100-120M to the System's Real Estate program; \$20-\$40M to Debt; \$30-\$60M to Value-Add (US), and \$20-\$40M to Opportunistic/Global.

#### *Private Equity/Debt*

NEPC recommended initiating a search for Private Debt managers for the 2020 target commitment of \$60M.

#### *August 2019 Flash Report*

The Total Plan was down -1.3% in August 2019 bringing the year to date performance return to +8.8%. August was a tough month all the way around. What happened was that Interest rates fell off a cliff in August. So when interest rates go way down, bond prices go way up. What's happened in the first two weeks of September is that the interest rates are way back up. The third year treasury has gone from under 2%, which it's never been below 2%. It's now back up to 2.4%. The other big reversal is, what has been an enormous benefit to value to growth versus value has flipped in September. In the first two weeks in

September value is ahead of growth by 2% and that is something that hasn't happened a lot. The portfolio has done well overall.

Outstanding/Ongoing Financial Issues: Ellen M. McCarthy, Comptroller

*August 2019 Financial Snapshot*

Ms. McCarthy reported the following: Pension payroll contributions: \$52,825,899; Total Payees: 15,099; Payroll non-contributors: \$325,590; Total payees: 52; New Regular Retirees: 60; Survivor/Beneficiary Retirees: 1; Disability Retirees: 1; Refunds and transfers: 69 for \$2,109,398; Members Refunds: 58 for \$1,481,786, Members Transfers: 11 for \$627,612; Option B Refunds: 0; Operational Warrants: \$930,819.

*July 2019 Financial Statement*

Comptroller McCarthy presented a July 2019 BRS financial statements. The BRS overall assets increased over \$600M. This is attributed to cash increase. This is where the appropriations come in. Pool domestic equities have been climbing and the fixed income securities has also had a big increase. The accounts receivables are up but that is primarily due to our investment receivables that are still open at the end of the month for open trades. Our payables are somewhat consistent that fluctuates according to the investment plan. On the income side, the interest and dividend has increased \$10m from last month. It's on a pretty good track based on where we ended up on December of 2018. Net increase in investment value is up over \$425m which a big part of the \$600m overall increase.

Outstanding/Ongoing Operations Issues: Christine M. Weir, Operations Officer

*August 2019 payroll update*

Operations Officer Weir presented an update on the payroll number for the month of August, 2019. She stated that there were 74 Possible Retirees: 66 Superannuation's, 3 Disabilities & 5 (Death of Active Member). 62 cases were processed, of which 12 did not make the payroll. There were 60 Superannuation's, 1 DOA's and 1 disability. Reasons for missing payroll; 5 did not return final papers on time: 2 were missing salary; 4 was missing documentation; 1 was a legal matter.

Outstanding/Ongoing Operations Issues: Legal Issues, Padraic P. Lydon, General Counsel

*Waiver Request*

- o Albert F. Charbonnier.....\$6,006.69

*Motion made, and seconded, to approve waiver request of Albert F. Charbonnier for waiver request in the amount of \$6,006.69 as the member made his request to do so in a timely manner via email on 11/20/2012.*

**Motion accepted (4-0)**

Executive Session

*Motion made, and seconded, to enter into Executive Session at approximately 11:01 a.m.*

**Motion accepted (4-0)**

Adjourn

*Motion made, and seconded, to adjourn from Administrative Session at approximately 11:04 a.m.*

**Motion accepted (4-0)**

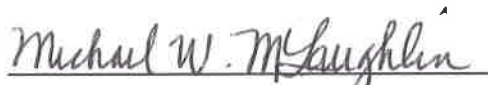
Respectfully submitted,  
BOSTON RETIREMENT BOARD



Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Maureen A. Joyce  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*

Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*